GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3370
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Recovery of Direct Taxes
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has made any provision regarding appeal category so as to speed up the recovery of direct taxes and if so, the details thereof;
(b) whether the said objectives have not been achieved, if so, the reaction of the Government thereto along with the remedial measures taken in this regard; and
(c) the other steps being taken to bring down pendency and the time taken for disposal of cases?

Answer

(a) To meet the core objectives of budget collection, reduction in outstanding tax effect and litigation management, provision for two-pronged strategy has been adopted with focus on optimizing disposal in terms of numbers and maximizing disposal of appeals involving high quantum of tax effect at the level of Commissioner of Income Tax (Appeals) in the Central Action Plan of Income Tax Department for the Financial Year 2017-18. The targets in respect of disposal of appeals by Commissioner of Income Tax (Appeals) during Financial Year 2017-18 are set out as under:

Each Commissioner of Income Tax (Appeals) shall dispose of a minimum number of 500 appeals or earn 700 units during the financial year 2017-2018, which must include disposal in ratios as below:

i. Disposal of at least 30% of appeals that involve tax effect of Rs.10 lakhs and above including 100% of appeals pending as on 01.04.2017 that involve tax effect of Rs.50 crore and above.

ii. Disposal of at least 70% of appeals that involve tax effect of less than Rs.10 lakhs.

The above targets, along with demarcation of units, are represented by the following Table:

Target Minimum number of 500 appeals or earn 700 units during the year
30% Category Unit per appeal

A
(>10 lakhs) A1 Above 50 Cr 3
A2 Above 1 Cr. to 50 Cr. 2
A3 Above 10 Lakhs to 1 Cr. 1
70% B
(< 10 lakhs − filed upto 31.03.2017) B1 Appeals Filed Before 01.04.20114 1
B2 Appeals Filed from 01.04.2014 to 31.03.2017 1
Balance appeals to meet overall target C
(<10 lakhs) C Current Appeals Filed during FY 2017-18 1

(b) The aforesaid targets for the Financial Year 2017-18 have been laid out for Commissioner of Income Tax (Appeals) vide Central Action Plan on 07.07.2017. The performance of Commissioner of Income Tax (Appeals) is being regularly monitored on monthly basis for the same.

(c) Following other steps are being taken to bring down the pendency and the time taken for disposal of cases:
1) Emphasis on disposal of appeals having high tax effect: In view of the mounting tax effect locked up in appeals before Commissioner of Income Tax (Appeals) special attention was accorded to the disposal of cases having disputed tax effect in excess of Rs. 100 crore. As a result, during FY 2016-17, it resulted in disputed tax effect of Rs. 1.92 lakh Crore being unlocked in 362 cases. Further, in order to emphasise the disposal of high tax effect appeals, redistribution of high tax effect appeals to Commissioner of Income Tax(Appeals) so as to ensure equitable distribution of the said appeals have also been mandated.

2) Emphasis on disposal of cases having tax effect less than 10 lacs: Since the appeals having tax effect of less than 10 lacs amount to around 66% of the pendency of the appeals before Commissioner of Income Tax (Appeals) before Commissioner of Income

Tax(Appeals) and only 1.6% in disputed tax effect, these appeals have been targeted for disposal on a priority basis in an expeditious manner. Directions have been issued that the said appeals may be decided without going into detailed discussion on each ground of appeal except in the cases where Commissioner of Income Tax (Appeals) consider that there is scope for further investigation. Further, it has been directed that these appeals may be finalized in preferably one or maximum of two hearings. Bunching of appeals having common issues and decision on covered issues on priority has also been decided upon.

3) DTDRS: To reduce tax payer grievance and uncertainty caused due to long pending litigation before the Commissioner of Income Tax (Appeals), the Direct Tax Dispute Resolution Scheme, 2016 (DTDRS) was introduced by Finance Act 2016. The Scheme provides for various benefits if certain conditions are fulfilled. A total of 10,444 applications have been received under the Scheme amounting to a tax arrear of Rs. 1,163 Crore. Till date, the tax collected in pursuance of the declarations under the Scheme is Rs. 766 Crore due to the orders passed in 9,659 cases.

4) Income Tax Business Applications (ITBA): For effective monitoring of pendency and disposal of appeals on timely basis before Commissioner of Income Tax (Appeals), a module of appeals before Commissioners of Income Tax (Appeals) has been instituted in ITBA. The said functionality ensures transparency and facilitates ease of doing business by providing for e filing of appeals. It is expected to improve the control and management of litigation before Commissioners of Income Tax (Appeals).